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BEFORE THE ARIZONA CORPORATION COMMISSION

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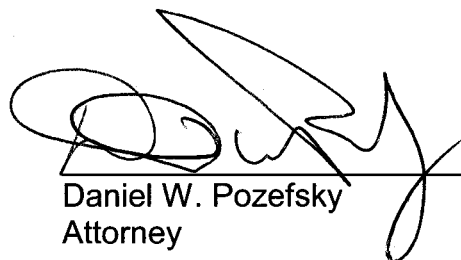
IN THE MATTER OF THE APPLICATION OF
ARIZONA-AMERICAN WATER COMPANY
FOR APPROVALS ASSOCIATED WITH A
TRANSACTION WITH THE MARICOPA
COUNTY MUNICIPAL WATER
CONSERVATION DISTRICT NUMBER ONE.

Docket No. W-01303A-05-0718

NOTICE OF FILING

The Residential Utility Consumer Office ("RUCO") hereby provides notice of filing the
Direct Testimony of William A. Rigsby, in the above-referenced matter.

RESPECTFULLY SUBMITTED this 24th day of January 2007.


Daniel W. Pozefsky
Attorney

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2 of the foregoing filed this 24th day
3 of January 2007 with:

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6 mailed this 24th day of January 2007 to:

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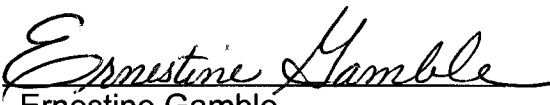
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ARIZONA-AMERICAN WATER COMPANY, INC.

DOCKET NO. W-01303A-05-0718

DIRECT TESTIMONY

OF

WILLIAM A. RIGSBY

ON BEHALF OF

THE

RESIDENTIAL UTILITY CONSUMER OFFICE

January 24, 2007

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INTRODUCTION

Q. Please state your name, occupation, and business address.

A. My name is William A. Rigsby. I am a Public Utilities Analyst V employed by the Residential Utility Consumer Office ("RUCO") located at 1110 W. Washington, Suite 220, Phoenix, Arizona 85007.

Q. Please state your educational background and your qualifications in the field of utilities regulation.

A. Appendix I, which is attached to this testimony, describes my educational background and also includes a list of the rate cases and regulatory matters that I have been involved with.

Q. Please state the purpose of your testimony.

A. The purpose of my testimony is to provide RUCO's comments on Arizona-American Water Company's ("Arizona-American" or "Company") Revised Application filed with the Arizona Corporation Commission ("ACC" or "Commission") on September 1, 2006.

Q. Please summarize Arizona-American's Revised Application.

A. Arizona-American's Revised Application presents Arizona-American's plan to construct a Central Arizona Project ("CAP") water treatment facility for the Company's Agua Fria District. According to the Company, the water

1 treatment facility, referred to as the White Tanks Plant, will eventually be
2 capable of treating 80 million gallons of water per day.

3
4 Q. What is Arizona-American requesting in the Company's Revised
5 Application?

6 A. In addition to an accounting order, which I will describe later, Arizona-
7 American is requesting that the Commission approve increases to the
8 Agua Fria District's existing Water Facilities Hook-Up Fee ("Hook-Up Fee")
9 that will be used to finance construction of the White Tanks Plant. The
10 Hook-Up Fee is currently being charged to builders that are operating in
11 the Agua Fria District and is currently set at \$1,150 for 5/8 x 3/4-inch
12 meters. Arizona-American presents two different options for increasing
13 the existing Hook-Up Fee.

14 Option 1 would increase the existing Hook-Up Fee to the same level as
15 the rate-base reduction fee that is now in effect in the Company's Anthem
16 Water District. Under Option 1 the Hook-Up fee would start at \$3,000 for
17 5/8 x 3/4-inch meters. The Company states that if Option 1 is approved
18 the White Tanks plant would be fully funded by late 2013. However
19 without an accounting order, the approval of Option 1 would not allow
20 Arizona-American to recover carrying costs on any unrecovered balance
21 on the White Tanks Plant and the Company would not be made whole on
22 its investment in the project.

1 Option 2 resets the Hook-Up Fee to levels that are roughly sufficient to
2 fund the White Tanks Plant at the time that it enters service in 2009. The
3 Company states that, under Option 2, the Hook-Up Fee would start at
4 \$4,700 for a 5/8 x 3/4-inch meter.

5 According to the Revised Application, the Company-requested accounting
6 order, noted earlier, would cover two matters. First, it should provide
7 Arizona-American with the ability to accrue post-in-service allowance for
8 funds used during construction ("AFUDC") on the unfunded balance of the
9 White Tanks Plant and allow the Company to be made whole on Arizona-
10 American's investment until the Hook-Up Fee collections are sufficient to
11 fund the entire plant balance. Second, the Company-requested
12 accounting order should provide that the collected Hook-Up Fee will not
13 be treated as a contribution in aid of construction ("CIAC") until some
14 corresponding eligible plant is placed into service.

15
16 **RUCO'S COMMENTS**

17 Q. What are RUCO's comments?

18 A. RUCO has no objection to the hook-up fees as proposed in the Revised
19 application, and notes that Option 2 will result in less AFUDC accruals
20 than will Option 1, and therefore is preferable. RUCO also does not object
21 to the requested accounting order.

1 Q. Are there certain aspects of the Revised Application that RUCO believes
2 need clarification?

3 A. Yes. The Application indicates that a third party may potentially purchase
4 capacity in the treatment plant. The Company needs to clarify how the
5 hook-up fee would be modified in the event that this actually happened.
6 Further, RUCO requests that the Commission indicate in its Decision on
7 this Application that it is not predetermining the appropriateness of any
8 such modifications to the hook-up fee or the appropriateness of any
9 request for a mechanism to recover operation and maintenance costs.

10

11 Q. Does this conclude your testimony on Arizona-American's Revised
12 Application?

13 A. Yes.

Appendix 1

Qualifications of William A. Rigsby, CRRA

EDUCATION:

University of Phoenix
Master of Business Administration, Emphasis in Accounting, 1993

Arizona State University
College of Business
Bachelor of Science, Finance, 1990

Mesa Community College
Associate of Applied Science, Banking and Finance, 1986

Society of Utility and Regulatory Financial Analysts
38th Annual Financial Forum and CRRA Examination
Georgetown University Conference Center, Washington D.C.
Awarded the Certified Rate of Return Analyst designation
after successfully completing SURFA's CRRA examination.

Michigan State University
Institute of Public Utilities
N.A.R.U.C. Annual Regulatory Studies Program, 1997 & 1999

Florida State University
Center for Professional Development & Public Service
N.A.R.U.C. Annual Western Utility Rate School, 1996

EXPERIENCE:

Public Utilities Analyst V
Residential Utility Consumer Office
Phoenix, Arizona
April 2001 – Present

Senior Rate Analyst
Accounting & Rates - Financial Analysis Unit
Arizona Corporation Commission, Utilities Division
Phoenix, Arizona
July 1999 – April 2001

Senior Rate Analyst
Residential Utility Consumer Office
Phoenix, Arizona
December 1997 – July 1999

Utilities Auditor II and III
Accounting & Rates – Revenue Requirements Analysis Unit
Arizona Corporation Commission, Utilities Division
Phoenix, Arizona
October 1994 – November 1997

Tax Examiner Technician I / Revenue Auditor II
Arizona Department of Revenue
Transaction Privilege / Corporate Income Tax Audit Units
Phoenix, Arizona
July 1991 – October 1994

RESUME OF RATE CASE AND REGULATORY PARTICIPATION

<u>Utility Company</u>	<u>Docket No.</u>	<u>Type of Proceeding</u>
ICR Water Users Association	U-2824-94-389	Original CC&N
Rincon Water Company	U-1723-95-122	Rate Increase
Ash Fork Development Association, Inc.	E-1004-95-124	Rate Increase
Parker Lakeview Estates Homeowners Association, Inc.	U-1853-95-328	Rate Increase
Mirabell Water Company, Inc.	U-2368-95-449	Rate Increase
Bonita Creek Land and Homeowner's Association	U-2195-95-494	Rate Increase
Pineview Land & Water Company	U-1676-96-161	Rate Increase
Pineview Land & Water Company	U-1676-96-352	Financing
Montezuma Estates Property Owners Association	U-2064-96-465	Rate Increase
Houghland Water Company	U-2338-96-603 et al	Rate Increase
Sunrise Vistas Utilities Company – Water Division	U-2625-97-074	Rate Increase
Sunrise Vistas Utilities Company – Sewer Division	U-2625-97-075	Rate Increase
Holiday Enterprises, Inc. dba Holiday Water Company	U-1896-97-302	Rate Increase
Gardener Water Company	U-2373-97-499	Rate Increase
Cienega Water Company	W-2034-97-473	Rate Increase
Rincon Water Company	W-1723-97-414	Financing/Auth. To Issue Stock
Vail Water Company	W-01651A-97-0539 et al	Rate Increase
Bermuda Water Company, Inc.	W-01812A-98-0390	Rate Increase
Bella Vista Water Company	W-02465A-98-0458	Rate Increase
Pima Utility Company	SW-02199A-98-0578	Rate Increase

RESUME OF RATE CASE AND REGULATORY PARTICIPATION (Cont.)

<u>Utility Company</u>	<u>Docket No.</u>	<u>Type of Proceeding</u>
Pineview Water Company	W-01676A-99-0261	WIFA Financing
I.M. Water Company, Inc.	W-02191A-99-0415	Financing
Marana Water Service, Inc.	W-01493A-99-0398	WIFA Financing
Tonto Hills Utility Company	W-02483A-99-0558	WIFA Financing
New Life Trust, Inc. dba Dateland Utilities	W-03537A-99-0530	Financing
GTE California, Inc.	T-01954B-99-0511	Sale of Assets
Citizens Utilities Rural Company, Inc.	T-01846B-99-0511	Sale of Assets
MCO Properties, Inc.	W-02113A-00-0233	Reorganization
American States Water Company	W-02113A-00-0233	Reorganization
Arizona-American Water Company	W-01303A-00-0327	Financing
Arizona Electric Power Cooperative	E-01773A-00-0227	Financing
360networks (USA) Inc.	T-03777A-00-0575	Financing
Beardsley Water Company, Inc.	W-02074A-00-0482	WIFA Financing
Mirabell Water Company	W-02368A-00-0461	WIFA Financing
Rio Verde Utilities, Inc.	WS-02156A-00-0321 et al	Rate Increase/ Financing
Arizona Water Company	W-01445A-00-0749	Financing
Loma Linda Estates, Inc.	W-02211A-00-0975	Rate Increase
Arizona Water Company	W-01445A-00-0962	Rate Increase
Mountain Pass Utility Company	SW-03841A-01-0166	Financing
Picacho Sewer Company	SW-03709A-01-0165	Financing
Picacho Water Company	W-03528A-01-0169	Financing
Ridgeview Utility Company	W-03861A-01-0167	Financing
Green Valley Water Company	W-02025A-01-0559	Rate Increase
Bella Vista Water Company	W-02465A-01-0776	Rate Increase
Arizona Water Company	W-01445A-02-0619	Rate Increase

RESUME OF RATE CASE AND REGULATORY PARTICIPATION (Cont.)

<u>Utility Company</u>	<u>Docket No.</u>	<u>Type of Proceeding</u>
Arizona-American Water Company	W-01303A-02-0867 et al.	Rate Increase
Arizona Public Service Company	E-01345A-03-0437	Rate Increase
Rio Rico Utilities, Inc.	WS-02676A-03-0434	Rate Increase
Qwest Corporation	T-01051B-03-0454	Renewed Price Cap
Chaparral City Water Company	W-02113A-04-0616	Rate Increase
Arizona Water Company	W-01445A-04-0650	Rate Increase
Tucson Electric Power	E-01933A-04-0408	Rate Review
Southwest Gas Corporation	G-01551A-04-0876	Rate Increase
Arizona-American Water Company	W-01303A-05-0405	Rate Increase
Black Mountain Sewer Corporation	SW-02361A-05-0657	Rate Increase
Far West Water & Sewer Company	WS-03478A-05-0801	Rate Increase
Gold Canyon Sewer Company	SW-02519A-06-0015	Rate Increase
Arizona Public Service Company	E-01345A-05-0816	Rate Increase
Arizona-American Water Company	W-01303A-06-0014	Rate Increase